

## Test Content – Economics

The Major Field Test in Economics contains 90 multiple-choice questions, some of which are grouped in sets and based on such materials as diagrams, expository paragraphs, sets of equations and tables of data. Departments or schools choose when and where to administer the tests. This test must be given by a proctor. It is designed to take two hours. The content categories and approximate distribution of questions among them are outlined below.

### I. Introductory Concepts (1–4%)

- A. Scarcity
- B. Production possibilities
- C. Opportunity cost
- D. Incentives and property rights
- E. Economic modeling
- F. Positive and normative statements

### II. Microeconomics (42–47%)

- A. Supply and Demand
  - 1. Market equilibrium
  - 2. Consumer and producer surplus
  - 3. Comparative statics
- B. Elasticity
  - 1. Demand elasticity (price elasticity; income elasticity; cross-price elasticity; price elasticity, marginal revenue and total revenue)
  - 2. Supply elasticity
- C. Consumer Theory
  - 1. Utility function and indifference curves
  - 2. Budget constraint
  - 3. Utility maximization
  - 4. Income and substitution effects
  - 5. Individual and market demand
- D. Production Theory
  - 1. Production Function (short-run; long-run)
  - 2. Accounting vs. Economic Costs
  - 3. Short-run costs
  - 4. Isoquant and isocost analysis (cost minimization; effects of changes in factor prices; factor substitution)
  - 5. Long-run costs (returns to scale; returns to scope)
- E. Market Structures
  - 1. Theory of the firm and transactions costs
  - 2. Profit maximization
  - 3. Perfect competition
  - 4. Monopoly
  - 5. Monopolistic competition
  - 6. Oligopoly and game theory
  - 7. Efficiency and welfare
- F. Factor Markets
  - 1. Marginal revenue product and labor demand
  - 2. Labor supply
  - 3. Labor markets (competitive market; monopsony)
  - 4. Capital market (physical capital; financial capital; present value)
  - 5. Economic rent
  - 6. Income distribution

- G. General Equilibrium and Welfare Analysis (Edgeworth Box; Pareto Optimality)
- H. Market Failure and Government Intervention
  - 1. Price ceilings and price floors
  - 2. Taxes and subsidies
  - 3. Regulation and anti-trust laws
  - 4. Externalities
  - 5. Public goods
  - 6. Public Choice Theory
  - 7. Equity and redistribution
- I. International Trade
  - 1. Absolute and comparative advantage
  - 2. Trade restrictions – tariff and nontariff
- J. Information Economics
  - 1. Risk and uncertainty
  - 2. Asymmetric information

### III. Macroeconomics (38–43%)

- A. Circular Flow
- B. Economic Measurement
  - 1. GDP (accounting methods; business cycles)
  - 2. Price indices and inflation
  - 3. Real and nominal values
  - 4. Labor force and unemployment
- C. Aggregate Demand and Aggregate Supply Analysis
  - 1. Aggregate demand (definition and components of aggregate demand; derivation of aggregate demand)
  - 2. Aggregate supply (definition of aggregate supply; short-run aggregate supply; long-run aggregate supply)
  - 3. Macroeconomic equilibrium (wage and price flexibility; role of expectations; Keynesian and Classical analysis; short- and long-run equilibrium; short- and long-run Phillips Curves)

- D. Money and Financial Markets
  - 1. Definition and role of money
  - 2. Supply of money (definitions of money supply; commercial banks/financial institutions; central bank functions; deposit creation)
  - 3. Demand for money
  - 4. Money market equilibrium
  - 5. Interest rates and present value
  - 6. Quantity theory of money
  - 7. Loanable funds market
- E. IS/LM Analysis
- F. Macroeconomic Policy Analysis
  - 1. Policy objectives
  - 2. Fiscal policy
  - 3. Monetary policy
  - 4. Economic policy in an open economy
- G. Economic Growth and Development
  - 1. Sources of economic growth
  - 2. Solow model
  - 3. Growth policies
- H. International Finance
  - 1. Balance of payments accounts
  - 2. Exchange rates and capital flows (flexible exchange rates; fixed exchange rates)

### IV. Statistics and Econometrics (10–15%)

- A. Concepts of probability
- B. Descriptive statistics
- C. Hypothesis testing
- D. Classic linear regression model (assumptions of estimators; properties of estimators; interpretations of estimators)

### V. Quantitative Analysis (25–35% across all content areas)

#### How scores for the Major Field Test in Economics are reported

**Total Score** – Reported for each student and summarized for the group

**Subscores** – Reported for each student and summarized for the group

- Microeconomics (41)
- Macroeconomics (35)

**Assessment Indicators** – Reported for the group\* only

- Quantitative Analysis (34)
- International Issues (9)

Numbers in parentheses are the approximate number of questions in each category.

\* A minimum of five (5) students is required for assessment indicators to be reported.